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DA YU FINANCIAL HOLDINGS LIMITED

大禹金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1073)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
MORGAN FINANCE LIMITED**

THE ACQUISITION

On 18th February, 2022 (after trading hours), the Company, the Vendor and First Steamship entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, being the entire issued shares of the Target Company.

The Maximum Consideration of the Acquisition is HK\$2,200,000, which will be satisfied by the Company in cash upon Completion.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition, when aggregated with the Previous Acquisition, is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, First Steamship indirectly owns the entire issued shares of the Vendor and is a substantial Shareholder of the Company, indirectly interested in approximately 29.11% of the total issued Shares of the Company. As such, the Vendor and First Steamship are connected persons of the Company and the Acquisition therefore constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. Since all applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition, when aggregated with the Previous Acquisition, are less than 25% and the aggregated consideration of the Acquisition and the Previous Acquisition is less than HK\$10,000,000, the Acquisition constitutes a connected transaction for the Company which is only subject

to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Mr. Kuo Jen-Hao, a non-executive Director and the chairman of the Board, is a director of the Target Company and the Vendor and the chairman and general manager of First Steamship. Mr. Kuo Jen-Hao has abstained from voting on the relevant resolutions at the Board meeting for approving the Sale and Purchase Agreement. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest in the Sale and Purchase Agreement.

THE ACQUISITION

On 18th February, 2022 (after trading hours), the Company, the Vendor and First Steamship entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, being the entire issued shares of the Target Company. Principal terms of the Sale and Purchase Agreement are set out below:

THE SALE AND PURCHASE AGREEMENT

Date : 18th February, 2022

Parties : – First Mariner Capital Limited as the Vendor;
– The Company as the purchaser; and
– First Steamship as the guarantor of the Vendor

As at the date of this announcement, First Steamship indirectly owns the entire issued shares of the Vendor and is substantial Shareholder of the Company, indirectly interested in 331,660,000 Shares, representing approximately 29.11% of the total issued Shares of the Company. As such, the Vendor and First Steamship are connected persons of the Company under Chapter 14A of the Listing Rules.

Asset to be acquired

The Sale Shares represent the entire issued shares of the Target Company.

Consideration

The Maximum Consideration for the Acquisition is HK\$2,200,000, which will be satisfied by the Company in cash upon Completion. The Company intends to fund the Acquisition by its own cash resources.

The Maximum Consideration shall be reduced on a dollar-for-dollar basis, by the amount the Completion NAV falls short of the Maximum Consideration. For the avoidance of doubt, if the Completion NAV shall be more than the Maximum Consideration, the Company shall have no obligation to make any additional payment to the Vendor.

The Maximum Consideration was determined after arm's length negotiation between the Vendor and the Company with reference to the Completion NAV of HK\$2,200,000 upon completion of the Capital Reduction.

Conditions precedent

Completion is conditional upon the following Conditions being satisfied or waived on or before Long Stop Date:

- a) if required, all approvals, consents and acts required under applicable laws and regulations or otherwise required from any third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such laws, rules, regulations and requirements having been obtained from the relevant regulatory authorities or the relevant third parties;
- b) the Money Lenders Licence having been renewed and evidence thereof having been provided to the Company at the Company's satisfaction;
- c) the warranties remaining true, accurate and not misleading in all material respects as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- d) the execution and delivery of the transaction documents required to be executed and delivered on the Completion Date by the Vendor;
- e) the Company is satisfied with (i) the due diligence results on the Target Company; and (ii) the composition of the key management of the Target Company;
- f) the Company having obtained all necessary internal approvals in respect of the purchase of the Sale Shares set forth in the Sale and Purchase Agreement;
- g) all existing shareholder's loans to the Target Company having been fully written-off and such written-off having been booked in the management accounts of the Target Company;
- h) there being no material adverse change or development in the position or condition, financial, business strategy or otherwise, of the Target Company from 31st December, 2020 up to the Completion Date.

Except Condition (b) which cannot be waived by any parties, other Conditions can be waived by the Company.

Completion

Completion shall take place on the seventh business day upon all the Conditions have been fulfilled or waived (as the case may be).

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the financial statements of the Company.

Capital Reduction

Prior to entering into of the Sale and Purchase Agreement, the Target Company resolved to conduct the Capital Reduction. The shareholder of the Target Company as at the date of passing the resolution of the Capital Reduction, namely the Vendor, will be entitled to receive such amount as equivalent to the credit as arising from the Capital Reduction. It is expected that completion of the Capital Reduction will take place after the Completion Date. The Company undertook to the Vendor that if no application is made to the court for cancellation of the resolution for the Capital Reduction within 5 weeks after the date of the relevant resolution, it shall procure the Target Company to pay to the Vendor such amount as equivalent to the credit as arising from the Capital Reduction.

INFORMATION ON THE COMPANY AND THE VENDOR

The Company is an investment holding company and its subsidiaries are principally engaged in activities including dealing in securities, advising on securities, advising on corporate finance, asset management and securities and related services.

The Vendor is an investment holding company and is indirectly wholly-owned by First Steamship. First Steamship is a company listed on the Taiwan Stock Exchange (Stock Code: 2601TW) and its main operations include shipping (dry bulk carrier shipping operation, professional vessel management operation and crewing services) and retail business (departmental stores).

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. It holds the Money Lenders License to carry on money lending business in Hong Kong.

Financial information

Set out below are the financial information of the Target Company as extracted from its audited financial statements for the year ended 31st December, 2020 and unaudited management accounts for the year ended 31st December, 2021, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the years ended 31st December,	
	2020	2021
	<i>HK\$</i>	<i>HK\$</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Profit/(loss) before taxation	229,327	(1,138,778)
Profit/(loss) after taxation	229,327	(1,138,778)

The unaudited net assets of the Target Company as at 31st December, 2021 amounted to approximately HK\$4.8 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in activities including dealing in securities, advising on securities, advising on corporate finance, asset management and securities and related services.

The Company aims to complement its existing activities through the Acquisition, which will enhance the Group's capability to offer a more comprehensive financial services to existing and new clients. The Company believes that the Acquisition will broaden the source of revenue of the Group and the Group will benefit from the synergies and new opportunities to be created between the money lending business and its existing financial services.

In view of the above, the Directors (including the independent non-executive Directors, but excluding Mr. Kuo Jen-Hao who has material interest in the Sale and Purchase Agreement) consider that the terms of the Acquisition are on normal commercial terms and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition, when aggregated with the Previous Acquisition, is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, First Steamship indirectly owns the entire issued shares of the Vendor and is a substantial Shareholder of the Company, indirectly interested in approximately 29.11% of the total issued Shares of the Company. As such, the Vendor and First Steamship are connected persons of the Company and the Acquisition therefore constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules. Since all applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition, when aggregated with the Previous Acquisition, are less than 25% and the aggregated consideration of the Acquisition and the Previous Acquisition is less than HK\$10,000,000, the Acquisition constitutes a connected transaction for the Company which is only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Mr. Kuo Jen-Hao, a non-executive Director and the chairman of the Board, is a director of the Target Company and the Vendor and the chairman and general manager of First Steamship. Mr. Kuo Jen-Hao has abstained from voting on the relevant resolutions at the Board meeting for approving the Sale and Purchase Agreement. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest in the Sale and Purchase Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Capital Reduction”	the capital reduction of the Target Company from HK\$9,000,000 to HK\$6,500,000 and the payment of the credit arising therefrom to the shareholder of the Target Company (namely the Vendor) as approved by the board of directors of the Target Company prior to entering into of the Sale and Purchase Agreement
“Company”	Da Yu Financial Holdings Limited, a company incorporated in Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1073)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Completion Date”	the date of Completion
“Completion NAV”	the net asset value of the Target Company minus the sum payable to the Vendor as such amount as equivalent to the credit as arising from the Capital Reduction
“Conditions”	the conditions precedent to the Completion as set out in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“First Steamship”	First Steamship Company Limited, a company incorporated and registered in Taiwan and listed on the Taiwan Stock Exchange Corporation, being the beneficial owner of the Vendor and the Target Company and a substantial Shareholder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31st March, 2022, or such other date as the Vendor and the Company may agree in writing
“Maximum Consideration”	the maximum consideration of the Sale Shares of HK\$2,200,000 payable by the Company to the Vendor subject to adjustment under the Sale and Purchase Agreement
“Money Lenders License”	the money lenders licence(s) granted by the licensing court to the Target Company pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders Regulations for carrying on money lending business in Hong Kong
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macao Special Administrative Region of the PRC and Taiwan)
“Previous Acquisition”	the acquisition of Morton Securities Limited by the Company from the Vendor at a consideration of HK\$7,140,000 (details of which were set out in the announcements of the Company dated 21st September, 2020, 29th December, 2020 and 29th March, 2021)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18th February, 2022 entered into between the Vendor, the Company and First Steamship in respect of the sale and purchase of the Target Company
“Sale Shares”	the entire issued shares of the Target Company
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) from time to time

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Morgan Finance Limited
“Vendor”	First Mariner Capital Limited, a company incorporated and registered in the British Virgin Islands, an indirect wholly-owned subsidiary of First Steamship
“%”	per cent.

By Order of the Board
DA YU FINANCIAL HOLDINGS LIMITED
Lee Wa Lun, Warren
Managing Director

Hong Kong, 18th February, 2022

As at the date of this announcement, the Executive Directors are Mr. Lee Wa Lun, Warren (Managing Director), Mr. Lam Chi Shing and Ms. Li Ming, the Non-Executive Director is Mr. Kuo Jen-Hao (Chairman), and the Independent Non-Executive Directors are Mr. Chan Sze Chung, Mr. Sum Wai Kei, Wilfred and Mr. Suen Chi Wai.